IN CAMERA

ADMINISTRATIVE REPORT

Report Date:	June 1, 2015
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Meeting Date:	June 9, 2015

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management

SUBJECT: Lease of Premises leased to the City situated at 683-691 East Broadway to Salam Enterprises Ltd.

IN CAMERA RATIONALE

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city.

RECOMMENDATION

THAT the recommendations approved by Council on March 24, 2015 be revised to approve a larger lease area and revised term commencement to Salam Enterprises Ltd. (the "Tenant") for a commercial retail unit ("CRU") having a civic address of 683 – 691 East Broadway as shown outlined in red in the plan attached as Appendix "A" (the "Premises") and located within a building located on City-owned lands having a civic address of 651-691 East Broadway (the "Lands") legally described as Parcel Identifier: 028-721-942, Lot A, Block 119, District Lot 264A, Group 1, New Westminster District, Plan BCP 49417 on the following general terms and conditions:

Term: Five (5) years commencing October 1, 2015.

Renewal Options: The lease includes two (2) consecutive options to renew for an additional five (5) year term each in favour of the Tenant and on the same terms and conditions provided herein except total rent, which is to be negotiated at the then market rates as a condition of lease renewal.

Rentable area: 3,197 square feet.

Rent: A total rent, inclusive of common area maintenance, parking and building insurance costs (the "Rent") is based on the following blended rates:

Year 1: s.17(1) [redacted] /annum plus GST s.17(1) [redacted] psf) minus the Reduced Rental Period noted below
Year 2: s.17(1) [redacted] /annum plus GST s.17(1) [redacted] psf)
Year 3: s.17(1) [redacted] /annum plus GST s.17(1) [redacted] psf)
Year 4: s.17(1) [redacted] /annum plus GST s.17(1) [redacted] psf)
Year 5: s.17(1) [redacted] /annum plus GST s.17(1) [redacted] psf)

Fixturing Period: The Tenant will receive a s.17(1) [redacted] fixturing period in order to demise and construct its tenant improvements. The fixturing period commences on July 1, 2015. The Tenant will not pay any Rent during the fixturing period, but will be responsible for payment of all utility costs.

Reduced Rental Period: The Tenant will receive s.17(1) [redacted] of reduced Rent following the fixturing period as a tenant inducement. The Rent for these s.17(1) [redacted] s.17(1) [redacted] will be s.17(1) [redacted] plus GST per month, which represents an s.17(1) [redacted] inducement.

Improvement Allowance: The Landlord will provide the Tenant with an improvement allowance of s.17(1) [redacted] psf, (s.17(1) [redacted] inclusive of GST) as well as a budget not to exceed s.17(1) [redacted] to install the demising wall to create its Premises, upon receipt of paid Tenant fixturing invoices. The funding source for the tenant improvements is s.17(1) [redacted] from the approved 2015 Property Endowment Fund "PEF" Capital Budget and is based on a blended rate for the larger space.

Parking: The Rent includes the Tenant's exclusive use of four (4) parking stalls.

Use: All day breakfast / Coffee Shop / Fast Food / Yogurt / Dessert Store

Utilities: The Tenant will be responsible for the cost of all utilities located within the Premises. These expenses are not included in the Rent.

Other Terms: The lease is to be provided on the City's Standard Lease Agreement, drawn to the satisfaction of the Directors of Legal and Real Estate Services, it being noted that no legal right or obligation is created and none shall arise until the lease document is fully executed by both parties.

Rental revenue is to be credited to the Property Endowment Fund ("PEF").

REPORT SUMMARY

This report seeks Council approval to revise the recommendations for the Tenant approved by Council on March 24, 2015. The Tenant wishes to lease a larger Premises for a term of five (5) years commencing on October 1, 2015 plus two (2) options to renew for a further five (5) years each. All terms and conditions are the same as previously approved with the exception of the term, area of Premises and the financial details explained below.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Director of Real Estate Services can approve lease and lease renewals if:

- the total rental value does not exceed the sum of $250,000; and
- the term is no more than ten (10) years (including renewal options).

The proposed lease to Salam Enterprises exceeds the total value of $250,000 over the life of the term and has a term longer than ten (10) years including all renewal options, and is therefore submitted to Council for approval.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management recommends APPROVAL of the foregoing recommendation.

REPORT

Background/Context

The City owns the Lands on which the building containing the Premises is located. On October 18, 2011, City Council approved a sixty (60) year ground Head Lease for nominal rent to the Vancouver Native Housing Society ("VNHS"). VNHS has constructed and operates an eight (8) storey social housing building on the site. The ground floor of the development features a separate social service centre and commercial retail unit spaces. The social service centre administered by the Pacific Community Resources Society ("PCRS"), provides youth service programs to homeless and at risk youth.

Upon completion of the housing project with ground floor commercial units, the City subleased back the commercial portion of the project from the VNHS at a nominal rate. The City, in turn, is leasing out the 10,355 square foot commercial component (up to 6 CRUs) via sub-sublease arrangements. For simplicity, the City sublease from VNHS, and the City sub - subleases are described throughout this report and its recommendation simply as leases and these tenants are referred to as tenants, when technically they are sub subtenants in the overall context of the multiple layers of lease agreements.

A budget of s.17(1) plus applicable taxes was approved by Council on October 18, 2011 and established for required tenant improvements to be undertaken by either the City or as negotiated with prospective tenants, to facilitate leasing of the commercial component (up to six (6) commercial retail units).

On March 24, 2015, the City approved a five (5) year lease with two (2), five (5) year renewals to the Tenant for use of the 1,980 square foot commercial retail unit at 691 Broadway as an all-day breakfast, fast food and coffee shop. The Tenant has since decided to expand this business and is now asking to take an additional 1,217 square feet at 683 East Broadway as well. The authorization sought with the current Council report (if approved) will replace the approval given to Salam Enterprises on March 24, 2015. The additional space at 683 East Broadway will allow the Tenant to offer yogurt and dessert sales in the business as well. This report seeks authorization to lease a larger portion of the shell commercial retail space to

Salam Enterprises under similar terms and conditions as previously authorized using blended rates for the Rent, and an improvement allowance.

Strategic Analysis

Leasing an additional unit to the Tenant as proposed will allow the business to have a more functional floor plan, better street exposure and will save the City money as only one demising wall will be required instead of two (2). The proposed Rent and improvement allowance reflect a blended market rental rate for the larger space.

The current market total rental rate for similar types of commercial space within the surrounding area ranges from s.17(1) gross per square foot per annum. The Rent negotiated for the Premises is considered to represent fair market value.

Salam Enterprises has over twenty (20) years of experience as a store owner, operator, training manager and marketing manager in the retail, restaurant and fast food industries. The Tenant's experience includes operating a Mac's Convenience store, Chevron Town Pantry with Triple O's White Spot, Noor Convenience and Donair at 680 East Broadway and Aria Florist and Wedding Design. The proposed business will serve the needs of both the local area and community at large, and fits within the vision of the Mount Pleasant Community Plan.

Financial

The City contributed s.17(1) plus applicable taxes to the cost to construct the building containing the Premises, which the rent from this sublease will go towards recovering.

The total Rent for the five (5) year lease term will be s.17(1) plus GST inclusive of common area maintenance costs, parking and insurance. This number takes into consideration the Reduced Rental Period. The Rent will be credited to the PEF.

The source of funds for the tenant improvement allowance s.17(1) including GST plus an additional amount not to exceed s.17(1) including GST) for the demising wall is the approved 2015 PEF Capital Budget.

As this is a new Building, a Facility Condition Assessment is not required at this time. The City is responsible for the maintenance and repair of the Premises, except for structural repairs to the Building, pursuant to the lease to the City from VNHS. The lease to the Tenant also provides that the Tenant will be responsible for all maintenance and utilities costs within the Premises.

All legal documents are to be completed to the satisfaction of the City's Director of Legal Services and Director of Real Estate Services.

CONCLUSION

The Director of Real Estate Services is of the opinion that the total Rent negotiated represents current fair market total rental value for the type, location, condition and age of the premises.

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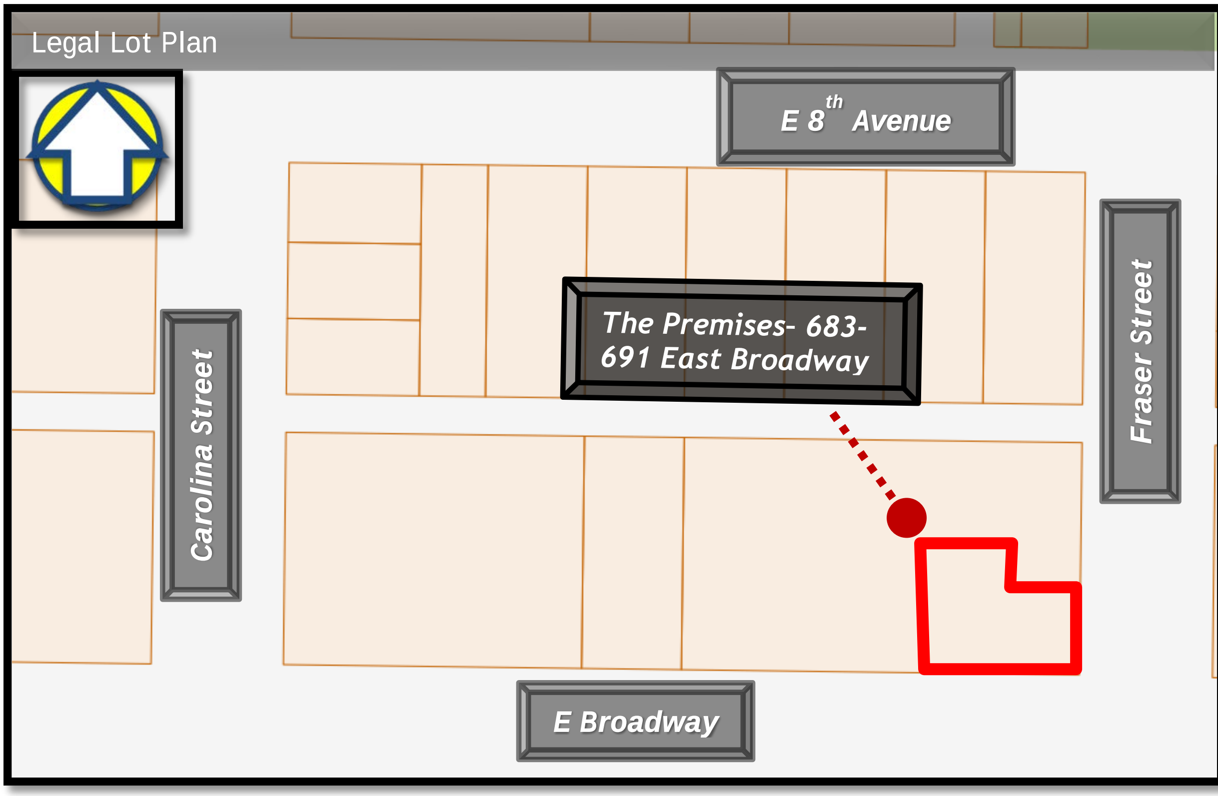
City-Wide Ortho
West End
Downtown
Grandview-Woodland
UNIVERSITY OF BRITISH COLUMBIA
West Point Grey
Kitsilano
Fairview
Arbutus-Ridge
South Cambie
Kensington-Cedar Cottage
Dunbar-Southlands
Oakridge
Kerrisdale
Sunset
Victoria-Fraserview
Killarney
Marpole
MITCHELL ISLAND


Area-Wide Ortho
E 8th Avenue
The Lands- 651
691 East Broadway
Fraser Street
Carolina Street
E Broadway


Legal Lot Plan
E 8th Avenue
The Premises- 683-691 East Broadway
Carolina Street
Fraser Street
E Broadway


Site Photo

SUBJECT PROPERTY